

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 4237-01
BILL NO.: HB 1862
SUBJECT: Health Care; Health Care Professionals; Health, Public; Insurance - Medical
TYPE: Original
DATE: March 6, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
All Funds*	\$0 to (\$13,677,232)	\$0 to (\$28,722,187)	\$0 to (\$28,722,187)
Insurance Dedicated	\$10,050	\$0	\$0
Total Estimated Net Effect on <u>All</u> State Funds*	\$10,050 TO (\$13,667,182)	\$0 TO (\$28,722,187)	\$0 TO (\$28,722,187)

***Does not include increases in costs due to liability provision.**

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
None			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government*	(UNKNOWN)	(UNKNOWN)	(UNKNOWN)

***Expected to exceed \$100,000 annually.**

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 5 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Transportation**, the **Department of Conservation**, the **Department of Social Services**, and the **Department of Public Safety - Missouri State Highway Patrol** assume this proposal would not fiscally impact their agencies.

Department of Insurance (INS) officials state that they anticipate that current appropriations and staff would be able to absorb the work for implementation of this proposal. However, if additional proposals are approved during the legislative session, INS may need to request an increase in appropriations due to the combined effect of multiple proposals.

INS states there are 259 health insurers and 30 HMOs that offer health insurance coverage. INS states that of the health insurers, many offer coverage through out-of-state trusts which are not typically subject to such mandates. INS estimates that 171 health insurers and 30 HMOs would each submit one policy form amendment resulting in revenues of \$10,050 to the Insurance Dedicated Fund.

Officials from the Missouri Consolidated Health Care Plan Offering all plans as open referral plans would increase the premium cost of the current gatekeeper models. MCHCP currently offers three open access plans: United Health Care Choice Plus, First Health PPO and Health Net Blue. They account for 23% of our total insurance cost. The gatekeeper plans account for the remaining 77%. The non-gatekeeper plans' (United Health Care Choice Plus and Health Net Blue) premiums are 29% higher than gatekeeper plans. MCHCP assumes that by eliminating less expensive gatekeeper plans that costs would rise by 29% for these contracts.

Because our contracts are based on a calendar year, only the second half of FY2001 would be impacted. However this would require an increase in the FY2001 appropriations of \$13,677,232. The FY2002 appropriations could increase of \$28,722,187.

Calculations:

Total Premium Cost for Second Half of FY2001	\$123,845,529
Minus the Open Access Plans	<u>57,817,877</u>
Gatekeeper Plan Premiums	66,027,652
State contribution of Gatekeeper Plans at 72%	<u>47,539,909</u>
State's Share increased at 29%	<u><u>13,677,232</u></u>

ASSUMPTION (continued)

Total Premium Cost for Second Half of FY2001	\$123,845,529
Assuming 10% Rate Increase	<u>12,384,523</u>
Subtotal	136,230,082
Minus the Open Access Plans	<u>63,599,665</u>
Gatekeeper Plan Premiums	72,630,417
State contribution of Gatekeeper Plans at 72%	52,293,900
State's Share increased at 29%	<u>15,044,955</u>
Total Additional Cost to the State for FY2002:	\$28,722,187

The FY 2001 appropriations would have to be increased by \$13,677,232 to accommodate this proposal. Requiring all plans that provide pharmaceutical coverage to issue prescription cards may result in administrative costs for the carriers that may be passed along in the form of premium increases. However, HCP feels the fiscal impact of this provision would be minimal.

There would be additional costs incurred by HMOs as a result of increased litigation. It is also likely that this cost would be passed through to members in the form of increased premiums. The direct fiscal impact is unknown but could be significant, depending upon the nature of the cases.

HCP states this proposal would require every managed care plan to offer coverage for preventive services, including, but not limited to:

- Annual physical examinations

- Immunizations

- Medications and treatments prescribed for the prevention or suppression of symptoms associated with various diseases and conditions

- Screening and testing for various diseases and conditions, such as cancer screenings, blood sugar tests for diabetes, and screenings and testing for any other similar disease or conditions which may be more effectively treated through early detection.

Currently, HCP plans provide coverage for preventive services including annual examinations and immunizations; pharmaceutical coverage for prescription drugs on a three tier program; and diagnostic testing. Therefore, HCP does not feel this section of the proposal would fiscally impact HCP.

Oversight assumes any additional state costs would be as a result of MCHCP Board actions. MCHCP Board could elect to pass cost increases on to plan participants. Therefore, Oversight has ranged State costs as \$0 to the amount stated by MCHCP.

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
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<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
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ALL FUNDS

Costs - All Funds

Increased state contributions	\$0 to <u>(\$13,677,232)</u>	\$0 to <u>(\$28,722,187))</u>	\$0 to <u>(\$28,722,187)</u>
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ESTIMATED NET EFFECT ON ALL FUNDS*

<u>\$0 TO</u> <u>(\$13,677,232)</u>	<u>\$0 TO</u> <u>(\$28,722,187)</u>	<u>\$0 TO</u> <u>(28,722,187)</u>
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***Does not include any potential liability costs.**

INSURANCE DEDICATED FUND

Income - Department of Insurance

Filing fees	<u>\$10,050</u>	<u>\$0</u>	<u>\$0</u>
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ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND

<u>\$10,050</u>	<u>\$0</u>	<u>\$0</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
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LOCAL POLITICAL SUBDIVISIONS

Costs - Local Political Subdivisions

Increased insurance contributions	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS

<u>(UNKNOWN)</u>	<u>(UNKNOWN)</u>	<u>(UNKNOWN)</u>
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FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This proposal would modify provisions relating to managed care. In its provisions relating to open referrals, the proposal would require managed care entities to offer open referrals in all health plans so that a referral from a primary care physician would not be required to obtain medical treatment. Relating to legal actions against managed care entities, the proposal specifies that the managed care entity would be liable to an enrollee for damages caused by a failure to exercise ordinary care in making treatment decisions. The entity would not be liable for damages if it did not participate in the treatment and if payment for treatment was not denied or delayed by the entity. Managed care entities would be prohibited from contracting with physicians, hospitals, and other health care providers if the contract includes a provision that the managed care entity would be held harmless from damages caused by its treatment decisions. The proposal also includes exceptions to the utilization review requirements of Chapter 376 and requires managed care entities to offer coverage for preventative services such as annual physical examinations, immunizations, and cancer screening. In addition, the proposal would require health insurance carriers to pay interest on the amount of a health care claim from the date of providing a health care service.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Insurance
Department of Transportation
Department of Conservation
Department of Public Safety
Missouri State Highway Patrol
Missouri Consolidated Health Care Plan
Department of Social Services



Jeanne Jarrett, CPA
Director
March 6, 2000